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# Economic Foundations of the League of Nations

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THE economic collapse which has come to Russia, Austria-Hungry, Germany, Belgium, and in only lesser degree to England, France, Italy and the neutral countries of Europe, is forcing on the attention of the peace conferees in Paris the extent to which the world has been internationalized during the last half-century, and the necessity for a new kind of peace if the world is speedily to come to life again. We are accustomed to think of international questions in exclusively political and territorial terms. This is one of the heritages of the dynastic and military order, which puts emphasis upon enlarged boundaries, a big population, and the other emblems of the purely political state. Such have been the political concepts for hundreds of years, and it is not surprising that the representatives of all the powers at the Peace Conference should have brought to their task traditions of a peace based upon political and territorial adjustments.

Fifty years ago nations were largely self-sufficient. They produced for their own consumption. Iron, steel, copper, rubber, cotton, wool, silks and the products of the tropics had not entered into the lives of all peoples as they have at the present time. The twenty years which preceded the war was a period of colossal international expansion and in 1914 the foreign trade of the world exceeded \$40,000,000,000. Of this, one-fourth was in the hands of Great Britain and Germany. Surplus wealth had ventured out from creditor countries, especially England, France, Germany and Holland, in search of trade and commerce, for the development of resources in backward countries, the building of railroads, and the making of loans in backward states. Upwards of \$40,000,000,000 had been so invested by the great creditor nations of the world.

These are but suggestive of the extent to which the world was interlaced by economic connections. Branch banks radiated from London, Paris and Berlin. The ports of Great Britain, as well as Hamburg, Bremen, Antwerp and Rotterdam, were *entrepôts* for the wealth of all the world. Explorers were followed by traders

all over the Orient, South America, to the fastnesses of Africa. The overseas wealth of the powers of Europe was equal to a sum almost as great as the combined domestic wealth of England and France.

The war shattered this colossal structure of finance and banking, of trade and commerce, of exploitation. The internationalism of the world which had involved hundreds of years in its building suddenly came to an end. The central powers and Russia were under a blockade. England, France, Italy and Belgium were subjected to a similar embargo by the shortage of ships. The transportation agencies of the world were commandeered for the war. When the armistice was signed the old economic order was in a state of collapse. Germany had no raw materials. England was short of a thousand things and France was in the same condition. The Russian peasants, cut off from industrial supplies such as agricultural implements, tools, clothes, shoes and other supplies, were unable to sell their wheat, which accumulated in vast quantities outside of the industrial centers, which were starving because of their inability to carry on exchange with the food producers on the one hand and the outside world on the other. Italy has no iron ore, no copper, no coal. She has to rely upon some one of the greater powers for her elemental commodities, upon which her industrial life depends.

The great task of the world, and of the Peace Conference as well, lies in putting the world to work again. And this can only be done by establishing the internationalism which the war destroyed. This the powerful classes within the various powers are unwilling or unable to do. They are seeking all kinds of privileges, especially protective tariffs, to protect their war made industries and enable them to monopolize their home trade. This is true of France, Italy and Great Britain. There is some short-sighted justification for this attitude, for all of the European countries have been stripped of their gold reserve. They are on a paper basis. If they buy largely from foreign countries, they can only pay in gold or credits. So they feel they must produce for their home market, and export as much as possible to foreign markets. But such export will be limited and possibly blocked altogether if these protectionist policies are carried out. Germany cannot pay her indemnity; she cannot pay for the raw materials which she

must have unless she is permitted to exchange her factory products for these commodities. The same is true of all of the other countries.

An international economic council in continuous session is one of the first needs of peace. It should have power to organize information and familiarize the world with the needs of the world. For a time at least it should have some powers over shipping and raw materials. Only in this way will it be possible for the limited cargo space to meet the more urgent needs of the various countries, and by the establishment of priorities prevent shipping and transportation agencies from being used for secondary purposes.

A similar financial organization should be created under the control of governmental agencies. It should be a banking, trading and exploiting concern with powers to place loans where most needed. It should also have power to develop resources and promote trade with backward countries.

But these are at most only temporary expedients to tide over an immediate emergency. If we would have a secure peace, if we would banish the fear which is one of the causes of war, the world must be freed from the idea of exclusive, self-contained nationalism which has led to annexations, protectorates, spheres of influence and the closed door, as well as the erection of fortresses on strategic places on the seas. The nations which control iron ore, coal, copper and oil control in large measure the economic life of the rest of the world. And this is a power which no nation or group of nations should enjoy. Germany aimed to lay her hands on the iron ore and coal of France and Belgium. This would have given her command of almost all of the iron ore and coal on the continent of Europe. It would have made France, Italy and central Europe subject to her. Great Britain through her command of the Mediterranean commands the trade to the Far East and the resources of Africa.

An economic peace paralleling the principles laid down by President Wilson should free the world as far as possible from the exclusive control by any nation of the international connections and necessities of the rest of the world. Provision should be made for:

1. The ending of all spheres of influence, the closed door and exclusive privileges in backward countries such as Africa, Asia and the Far East. These countries should be free to trade on equal terms with all the world. Their raw materials should be

offered to all without discrimination; while their ports and harbors should be placed under international guardianship to prevent discriminating port and harbor dues.

2. The strategic water-ways of the world should be policed by the world and open to all on equal terms. Such water-ways include the Mediterranean, the Black Sea, the Persian Gulf, the Baltic, the Kiel Canal, Suez Canal and Panama Canal. Commanding fortresses like Gibraltar and Constantinople should be internationalized and used as an agency of the League of Nations to enforce its decrees.

3. The right of exploitation of weak and backward nations should be placed under international control as a means of protecting native peoples from extortion and monopoly control, as well as for opening up their resources on fair and equitable terms to all the world.

4. Possibly the greatest need of all is free trade: such free trade as will enable countries like Italy and France to develop their own cultural and industrial life along natural lines. These nations should not be driven into unnatural channels by military and industrial necessities. Possibly international free trade is out of the question for the present. But an international economic conference in constant touch with the economic conditions and possibilities of the world might do much towards the promotion of more intelligent tariff schedules, and ultimately, as peace becomes more secure, lead to the development of freer trade relations between nations.

5. Such a program is admittedly difficult. There are too many powerful interests in all of the countries which seek to protect themselves by exclusive and monopoly rights. But the alternative may be industrial bankruptcy. It may be the rapid spread of Bolshevism and revolution because of the inability of nations to set their millions at work again. For revolutions are born of hunger and destitution. And Europe is in such a state of collapse that it cannot wait for an indefinite time for statesmen to debate these questions. Nor is it safe to go back to the old philosophy of imperialism that preceded the war and was largely responsible for its outbreak. For if the war has demonstrated anything it is that subject nations will not remain subject, and that the expanding industrial world will not permit its expansion to be constricted as it has been in the past.